

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 15, 2005

To: The Commission
(Meeting of April 21, 2005)

From: Delaney Hunter, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: SB 441 (Soto) Electricity rates
As amended April 4, 2005

Legislative Subcommittee Recommendation: Oppose

Summary: SB 441 would prohibit the California Public Utilities Commission from requiring residential and small commercial customers with an average total usage of less than 1,000 kilowatt hours per month to take service on a time-differentiated rate schedule. SB 441 does not affect customers participating in a statewide pricing pilot study as described in Section 393 of the Public Utility Code.

Digest: Existing law, grants the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires electrical corporations furnishing electricity to an agricultural producer to prepare and file tariffs providing for optional off-peak demand service, including the availability of time-differentiating meters or other measurement devices.

This bill would, with certain exceptions, prohibit the commission from authorizing or requiring the installation of advanced metering infrastructure for a residential or small commercial customer of an electrical corporation with average annual electricity usage of less than 1,000 kilowatthours per month and occupying a building that was constructed prior to January 1, 2005, unless certain findings are made by the commission. The bill would authorize an electrical corporation to recover the expenses for advanced metering infrastructure for residential and small commercial customers, only if, and to the extent that, those expenses are offset by equal or greater cost reductions that are passed through in rates to consumers as a result of the use of advanced metering infrastructure.

The bill would, with certain exceptions, prohibit specified residential or small commercial customers from being placed on a default time-differentiated rate schedule without the customer's affirmative written consent

Division Analysis (Energy/ALJ):

Pursuant to SB 441, the California Public Utilities Commission will be unable to require residential and small commercial customers to take service on a time-differentiated price schedule, such as a time-of-use tariff or real time pricing, with the exception of those customers participating in a statewide pilot program utilizing time-differentiated rates. This program was authorized by the California Public Utilities Commission in Decision (D.) 03-03-036 and described in Section 393 of the Public Utility Code.

Presently, residential service on a time-differentiated rate schedule is voluntary and subject to metering availability and customer limitations. Service on time-differentiated rate schedules is presently voluntary and subject to meter availability for all commercial customers affected by SB 441.

The Commission is beginning a process where it is considering the possibility of time-differentiated rates for residential and small commercial customers. Specifically, the Commission has recently directed the IOUs to submit cost-benefit analyses of advanced metering systems (AMI) for residential and small commercial customers, along with applications that outline their strategies for deployment of these systems. A key component to the cost-benefit analyses is the anticipated demand response that residential and small commercial customers are expected to produce if they are outfitted with advanced meters and placed on time-differentiated rates. By eliminating the participation of most residential customers and many small commercial customers in time-differentiated rates, the bill effectively eliminates a key benefit that is expected to result from the deployment of advanced meters. According to the utilities, the deployment of advanced meters, without demand response benefits, is uneconomic because the expected operational benefits are not large enough to cover the cost of deployment. The Commission is about to begin a proceeding to further evaluate the utilities' analyses of the costs and benefits of AMI.

Aside from the potential impact upon advanced metering, the bill effectively limits the Commission's ability to impose time-differentiated rates if the Commission determined such rates were necessary for other policy considerations.

SB 441 mandates retention of the status quo rate design for any existing building. It establishes the possibility of different rate availability based on age of premises, which does not seem equitable.

Program Background

- Time-differentiated rate schedules are tariffs in which price of electricity varies as a function of usage period, typically by time of day, by day of week, and/or by season.
- Participation in time-differentiated rate schedules is voluntary for customers affected by SB 441. The Commission is initiating a process that is considering the benefits of moving residential and small commercial customers on to time-differentiated rates.
- D.03-03-036 implemented a state wide pricing pilot for residential and small commercial customers seeking to determine whether residential and small commercial customers will alter their usage patterns in response to financial signals linked to system conditions. The pilot employs various time-differentiated rates for its participants. This proceeding is open.

Recommended Amendments: N/A

LEGISLATIVE HISTORY: N/A

STATUS

Scheduled to be heard before the Senate Energy, Utilities and Communications on April 19, 2005

SUPPORT/OPPOSITION

Support: TURN (sponsor)

Opposition: Pacific Gas & Electric (PG&E)

STAFF CONTACT

Delaney Hunter

CPUC-OGA

dlh@cpuc.ca.gov

(916) 446-5508

Date: April 14, 2005

BILL NUMBER: SB 441 AMENDED
BILL TEXT

AMENDED IN SENATE APRIL 4, 2005

INTRODUCED BY Senator Soto

FEBRUARY 17, 2005

An act to add Section 739.11 to the Public Utilities Code,
relating to electricity.

LEGISLATIVE COUNSEL'S DIGEST

SB 441, as amended, Soto. Electricity: rates.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including electrical corporations. Existing law authorizes the commission to fix the rates and charges for every public utility, and requires that those rates and charges be just and reasonable. Existing law requires electrical corporations furnishing electricity to an agricultural producer to prepare and file tariffs providing for optional off-peak demand service, including the availability of time-differentiating meters or other measurement devices.

This bill would, with certain exceptions, ~~provide that no~~
prohibit the commission from authorizing or requiring
the installation of advanced metering infrastructure for a
residential or small commercial customer of an electrical corporation
with average annual electricity usage of less than 1,000
kilowatthours per month and occupying a building that was constructed
prior to January 1, 2005, may be required to take service
~~*under a time-differentiated rate schedule unless*~~
certain findings are made by the commission. The bill would authorize
an electrical corporation to recover the expenses for advanced
metering infrastructure for residential and small commercial
customers, only if, and to the extent that, those expenses are offset
by equal or greater cost reductions that are passed through in rates
to consumers as a result of the use of advanced metering
infrastructure. The bill would, with certain exceptions, prohibit
specified residential or small commercial customers from
being placed on a default time-differentiated rate schedule
without the customer's affirmative written consent .

Under existing law, a violation of the Public Utilities Act or an order or direction of the commission is a crime.

Because the provisions of this bill would be a part of the act, the bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that

reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. *The Legislature finds and declares all of the following:*

(a) *The Public Utilities Commission is currently considering authorizing or requiring electrical corporations to install advanced metering infrastructure (AMI) for their customers, including all existing residential and small commercial customers, regardless of their size or location. One electrical corporation has requested authority to spend fifty million dollars (\$50,000,000) in 2005 in order to prepare to start AMI meter installations in early 2006.*

(b) *AMI includes the installation of interval data recording meters as well as two-way communications equipment. AMI technology requires more advanced and costly equipment than the equipment necessary to provide time of use billing, to conduct automated meter reading, or to provide direct load control of customer equipment.*

(c) *The replacement or retrofit of millions of small customers' meters statewide with AMI will cost billions of dollars, which electrical corporations will seek to recover in rates. The investment in communications equipment may become stranded if electrical corporations decide to deploy broadband over power lines at a later date.*

(d) *The commission has not conducted any evidentiary hearings to determine whether universal deployment of AMI for small customers will be cost effective for ratepayers. The claimed benefits of AMI include operational benefits, including outage detection and reduced meter reading costs, as well as reduced costs of generation due to the shifting of peak load periods. The claimed operational benefits alone have not been sufficient to justify the costs of AMI, and may be achievable through cheaper technologies. Further, residential peak load reductions may be achievable in a more cost effective and reliable manner through direct load control programs, appliance efficiency standards, and conservation measures. The commission has not examined these alternatives in an evidentiary hearing.*

(e) *The results of the statewide pricing pilot program in 2003 and 2004, show that California residential customers have the lowest price responsiveness of any reported in the literature, and lower than existed in California 25 years ago. This result is consistent with the fact that California residential customers use only about 61 percent of the national average for residential electricity consumption, and only residents in hot climate zones with significant air conditioner use can shift substantial electricity usage in response to higher prices during hot summer afternoon hours of peak electricity usage.*

(f) *The commission should not authorize or require the*

installation of AMI on existing buildings occupied by residential or small commercial customers with an annual average usage of less than 1,000 kilowatthours per month unless it first finds, based on clear and convincing evidence, that the installation of AMI will result in average electricity or generation rates for the residential and small commercial classes that are lower than they otherwise would have been absent the installation of AMI.

(g) No small customer occupying a building that was constructed prior to January 1, 2005, should be placed on a default time-differentiated rate schedule without the customer's informed written consent.

~~SECTION 1.~~

SEC. 2. Section 739.11 is added to the Public Utilities Code, to read:

739.11. ~~Except for customers participating in a pilot program authorized by Section 393 and customers with distributed energy resources that participate in a real time metering and pricing program pursuant to Section 353.3, no residential or small commercial customer of an electrical corporation with average usage of less than 1,000 kilowatthours per month and occupying a building that was constructed prior to January 1, 2005, shall be required to take service under a time-differentiated rate schedule.~~

SEC. 2. (a) Except as provided in Sections 393 and 353.3, the commission shall not authorize or require the installation of advanced metering infrastructure for buildings constructed prior to January 1, 2005, and occupied by residential or small commercial customers with annual average usage of less than 1,000 kilowatthours per month, unless it first finds, based upon clear and convincing evidence, all of the following:

(1) The installation of advanced metering infrastructure will, over the following five year periods, result in average electricity or generation rates for residential and small commercial customer classes that are lower than they would be without the installation of advanced metering infrastructure.

(2) The deployment of advanced metering infrastructure will result in more cost-effective peak load reduction than other alternatives, including air conditioner cycling programs and appliance efficiency standards.

(3) The communications technology proposed to be used in providing advanced metering infrastructure is the most cost-effective alternative in comparison with other technologies, including broadband over power lines.

(4) A program of universal deployment of advanced metering infrastructure throughout an entire service territory of an electrical corporation is more cost effective than partial deployment in selected climate zones.

(b) Expenses for owning, installing, or maintaining advanced metering infrastructure for residential and small commercial customers may only be included in the rates of an electrical corporation if, and to the extent that, those expenses are offset by equal or greater cost reductions that are passed through in rates to consumers as a result of the use of advanced metering infrastructure.

(c) Except for customers participating in a pilot program authorized by Section 393 and customers with distributed energy resources that participate in a real-time metering and pricing

program pursuant to Section 353.3, no residential or small commercial customer of an electrical corporation with an average annual usage of less than 1,000 kilowatthours per month and occupying a building that was constructed prior to January 1, 2005, shall be placed on a default time-differentiated rate schedule without that customer's affirmative written consent

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.